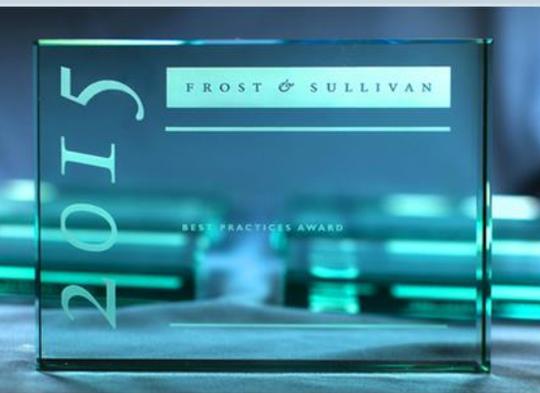




2015 South African Enterprise Resource Planning Systems Product Leadership Award



FROST & SULLIVAN



50 Years of Growth, Innovation & Leadership

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Background and Company Performance

Industry Challenges

Enterprise resource planning (ERP) refers to the automation of business management systems to prevent departmental silos through information integration. The result for businesses is increased efficiency and improved governance. The South African ERP market is well established, with companies set to increase their spending budgets on ERP systems at a forecasted compounded rate of 11.6% over the 5 year period, starting from 2013 to 2017. While this is positive news for the industry participants, a current challenge is the slow adoption of cloud computing by business entities. Frost & Sullivan research reveals that the ERP market is slow to embrace cloud computing over information security concerns. This is especially the case for the larger corporates, who are more likely to be late adopters of this technology than is for small businesses.

In order to remain competitive, larger corporates are changing their business models to simplify processes without hampering productivity. Furthermore, the high costs associated with the purchase and maintenance of the enterprise software presents a hurdle for small, micro and medium enterprises (SMMEs) that are working to increase both profit margins and brand awareness. Both corporates and SMMEs want an all-in-one information technology (IT) solution that is flexible and can be customised to their unique needs at a low cost. The challenge therefore, faced by participants in the ERP market is acquiring an in-depth understanding of the customer's business model strategies in order to provide progressive solutions that are flexible and meet all the unique customer requirements at a low cost.

Keeping abreast of the changes in the complex tax regulations and labour laws presents another challenge. Customers need to be able to easily enforce the different statutory requirements and expect the enterprise software to be up-to-date with any further changes. It is challenging for ERP to update this information in a timely manner for all customers, as their core competence is in software development and not law.

Participants in this industry must, therefore, remain agile and come up with innovative new product solutions to meet the various business needs of their customers in order to successfully address the aforementioned challenges and stay ahead of competition.

Product Family Attributes and Business Impact

Product Value

PaySpace is a 100% cloud-based payroll and human capital management (HCM) enterprise software developer and provider. By using a multi-tenant platform for all its clients, it is able to reduce the cost to the customer when it comes to the take-on licensing fees. Frost & Sullivan notes that this is unlike the legacy on-premise systems that some competitors still offer, which require annual licensing fees and are costly to maintain. From the time of its establishment, PaySpace customers have been paying per payslip.

This means that they pay for only what they use and the payment terms are in arrears. This billing model, thus, gives its customers the flexibility to change their payroll and HCM needs easily, without incurring additional cost and all the red-tape that is found with upgrade or downgrade changes in legacy on-premise systems.

In 2013, PaySpace initiated a game-changing industry-first, Cloud Analytics, a cloud-based Business Intelligence (BI) module that allows managers and executives to uncover anomalies requiring attention, and identify HR trends. For example, managers can assess employee turnover in real-time by pulling up of new engagement and termination data. Cloud Analytics compliments the standard reporting module which is able to produce legislated reports for each country in the required formats in which a company is operating as well as a generic expatriate tax certificate for home tax filing. Its ability to provide enhanced security when emailing the required reports to the relevant person in a password-protected zip file by the due date differentiates it from its local competitors.

Match to Needs

Cloud-based computing is web based, thereby allowing clients easy access to information anywhere and at any time. As previously mentioned, PaySpace's use of cloud computing enables it to meet its customers' changing business models by allowing customers to either add or reduce the number of employees and modules required by the business.

In 2012, it released a Hypertext Markup Language, revision five (HTML5) mobile site. The benefit of using this top technology programming language is that it allows easier loading of the elements on the web page without the need for extra plug-ins. The mobile site offers all employees real-time access to their payroll and human resources (HR) details, and provides managers with real-time access to action-specific HR processes on any mobile device. During the development of the mobile application (app), it found that its customers preferred the mobile site to a mobile app in order to access their information. The impact of this feedback resulted in PaySpace being the first vendor to offer a no-app-required method for its employee self-service (ESS) users to gain real-time access to their information.

Frost & Sullivan's research shows to meet the needs of its multi-national customers, PaySpace offers an expatriate module that allows for multi-currency salary and tax processing in both the home and the host country. While this may be a standard practice with international payroll and HR enterprise software providers, the automation of the gross up calculations is not present when dealing with international or local developers and providers.

Design

PaySpace launched its integrated Payroll and Human Resources (HR) platform with all HR modules (comprehensive payroll, workflow driven data input, claims, timesheets, training, performance management, recruitment, industrial relations, employment equity, succession planning, talent management and leave) in 2007.

Frost & Sullivan's research confirms that with this launch, it became the first South African payroll provider to eliminate the time-consuming payroll runs and back-up procedures required by most Payroll and HR software packages today. With this innovative solution, PaySpace users enter input into the system where the employee figures are automatically calculated and backed up, thereby increasing user efficiency.

To ensure that PaySpace stays ahead of its competitors, it makes use of asynchronous JavaScript and XML (AJAX). This is a group of web development techniques that allows some content on a webpage to change without requiring the reloading of the page. It enables PaySpace to deliver lightweight webpages that, on average, are 56k in size. Webpages are designed to be both easy to use and visually appealing. PaySpace is designed per employee, meaning that the employee details are integrated into all the modules, with no need for manual input each time a module is used.

In order to secure the computing environment and also comply with the Protection of Personal Information Act (POPI), PaySpace uses the latest firewall protection, Trust Guard [an American third-party verification and Payment Card Industry (PCI) security scanning company] and 128bit Secure Sockets Layer (SSL) encryption. This ensures that all information is encrypted during transmission. Other security features, such as an audit trail, exist on every screen for traceability purposes.

Growth Potential

PaySpace customers need to be compliant with different legislations across their business offices in different locations throughout Africa. This need was addressed by PaySpace's expansion into the rest of Africa during 2011. Since then, its African footprint has increased exponentially from 18 countries in 2011 to 27 countries in 2013 and 37 countries in 2014. In 2011, the release of its expatriate functionality attracted 3 of the big 6 accounting firms in South Africa to choose PaySpace platform for underpinning their payroll offering in Africa.

As satisfied customers expand their businesses into new markets, they expand with PaySpace. For example, one of its customers, Boart Longyear, will expand into Europe with PaySpace. Frost & Sullivan's competitive analysis reveals that this is unlike its competitors whose growth strategy is to set up networks with the local people in order to take advantage of their existing customer base. Frost & Sullivan believes that by growing with its customers, PaySpace will continue to increase its brand awareness both locally and globally. This will have a domino effect in acquiring new clients in the new markets, as potential clients have a reference point through the success stories of current customers.

Customer Acquisition

PaySpace has an extensive client base, exceeding 3100 clients that range from corporates, small to medium-sized businesses and sole proprietorships in more than 65 industries. It relies mainly on word-of-mouth referrals from satisfied customers for its customer acquisition strategy.

Frost & Sullivan firmly believes this low-cost strategy, together with its exponential growth rate as already discussed, highlights how PaySpace provides best-in-class products and ensures timely service delivery that position it ahead of its competitors. In order to continue on this path, in 2014, it introduced yet another industry-first, an online user community and support platform that is accessible round the clock. Users in the help centre are able to track their queries, post questions to other users, and start forums so that they are able to resolve issues by themselves. While the community support is to benefit the PaySpace customers, it also enables PaySpace to gain invaluable insights into customer satisfaction levels and customer preferences. These insights will allow it to enhance its product quality to attract new clients and increase customer loyalty of existing clients.

Human Capital

PaySpace describes its company culture as entrepreneurial and encourages out-of-the-box thinking. To foster dialogue and idea building, it has chat sessions where ideas and requests from customers are discussed by everyone. The open plan layout of its offices is to encourage open dialogue. When a staff member needs to discuss an idea with one of the senior staff, the discussion will be opened to the floor for everyone to contribute. The result is a pipeline of projects for Research and Development, prototyping and eventual commercialisation. The chat sessions give PaySpace employees the opportunity to not only give input but also to act on their ideas. Frost & Sullivan feels that this open environment plays an important part to improve both employee morale and retention.

Conclusion

PaySpace has positioned itself as an innovative product leader in South Africa through its offer of low-cost, cloud-based payroll and HCM enterprise software. Frost & Sullivan's independent analysis of the Enterprise Resource Planning Systems market clearly shows through its numerous industry firsts, namely: online user community and support (2014); Cloud Analytics (2013); African legislative module with niche expatriate functionality (2011); a no-app-required mobile site (2012); and the discarding of a formal payroll run procedure (2007), it has been able to ensure that its customers are able to remain efficient and productive by providing a simple, all-in-one IT solution at an affordable cost to SMMEs and larger corporates. As a result, its African footprint has grown exponentially from 18 countries in 2011 to 37 countries in 2014.

With its strong overall performance, PaySpace has earned Frost & Sullivan's 2015 Product Leadership Award.

Significance of Product Leadership

Ultimately, growth in any organization depends upon clients purchasing from your company, and then making the decision to return time and again. A comprehensive product line, filled with high-quality, value-driven options, is the key to building an engaged client base. To achieve and maintain product excellence, an organization must strive to be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition. This three-fold approach to delivering Product Leadership is explored further below.



Understanding Product Leadership

Demand forecasting, branding, and differentiation all play a critical role in finding growth opportunities for your product line. This three-fold focus, however, must be complemented by an equally rigorous focus on pursuing those opportunities to a best-in-class standard. Client communications, client feedback, pricing, and competitor actions must all be managed and monitored for on-going success. If an organization can successfully parlay product excellence into positive business impact, increased market share will inevitably follow over time.

Key Benchmarking Criteria

For the Product Leadership Award, Frost & Sullivan evaluated two key factors—Product Family Attributes and Business Impact—according to the criteria identified below.

Product Family Attributes

- Criterion 1: Match to Needs
- Criterion 2: Reliability and Quality
- Criterion 3: Product/Service Value
- Criterion 4: Positioning
- Criterion 5: Design

Business Impact

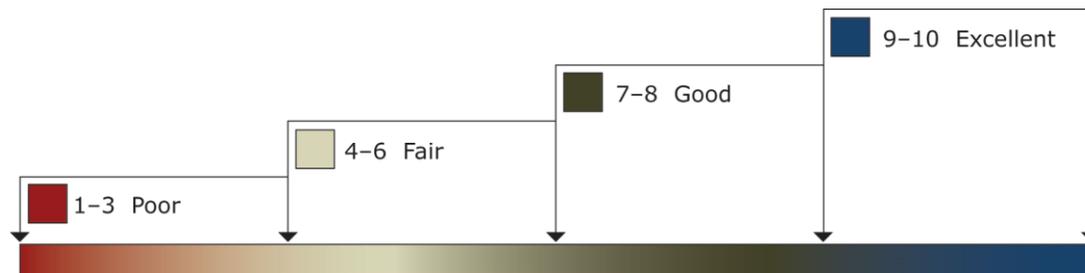
- Criterion 1: Financial Performance
- Criterion 2: Client Acquisition
- Criterion 3: Operational Efficiency
- Criterion 4: Growth Potential
- Criterion 5: Human Capital

Best Practice Award Analysis for PaySpace

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyse performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard is organized by Product Family Attributes and Business Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, Frost & Sullivan has chosen to refer to the other key players in as Competitor2 and Competitor3.

DECISION SUPPORTSCORECARD: PRODUCT LEADERSHIP AWARD

| <i>Measurement of 1-10 (1 = poor; 10 = excellent)</i> | | | |
|---|---------------------------|-----------------|----------------|
| Product Leadership | Product Family Attributes | Business Impact | Average Rating |
| PaySpace | 9 | 9 | 9 |
| Competitor2 | 8 | 6 | 7 |
| Competitor3 | 6 | 5.5 | 5.75 |

Product Family Attributes

Criterion 1: Match to Needs

Requirement: Client needs directly influence and inspire the design and positioning of the product family

Criterion 2: Reliability and Quality

Requirement: Products consistently meet or exceed client expectations for performance and length of service

Criterion 3: Product/Service Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

Criterion 4: Positioning

Requirement: Products or services unique, unmet need that competitors cannot easily replicate or replace

Criterion 5: Design

Requirement: The product features an innovative design, enhancing both visual appeal and ease of use

Business Impact

Criterion 1: Financial Performance

Requirement: Strong overall financial performance in terms of revenues, revenue growth, operating margin and other key financial metrics

Criterion 2: Client Acquisition

Requirement: Product strength enables acquisition of new clients, even as it enhances retention of current clients

Criterion 3: Operational Efficiency

Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard

Criterion 4: Growth Potential

Requirements: Product quality strengthens brand, reinforces client loyalty and enhances growth potential

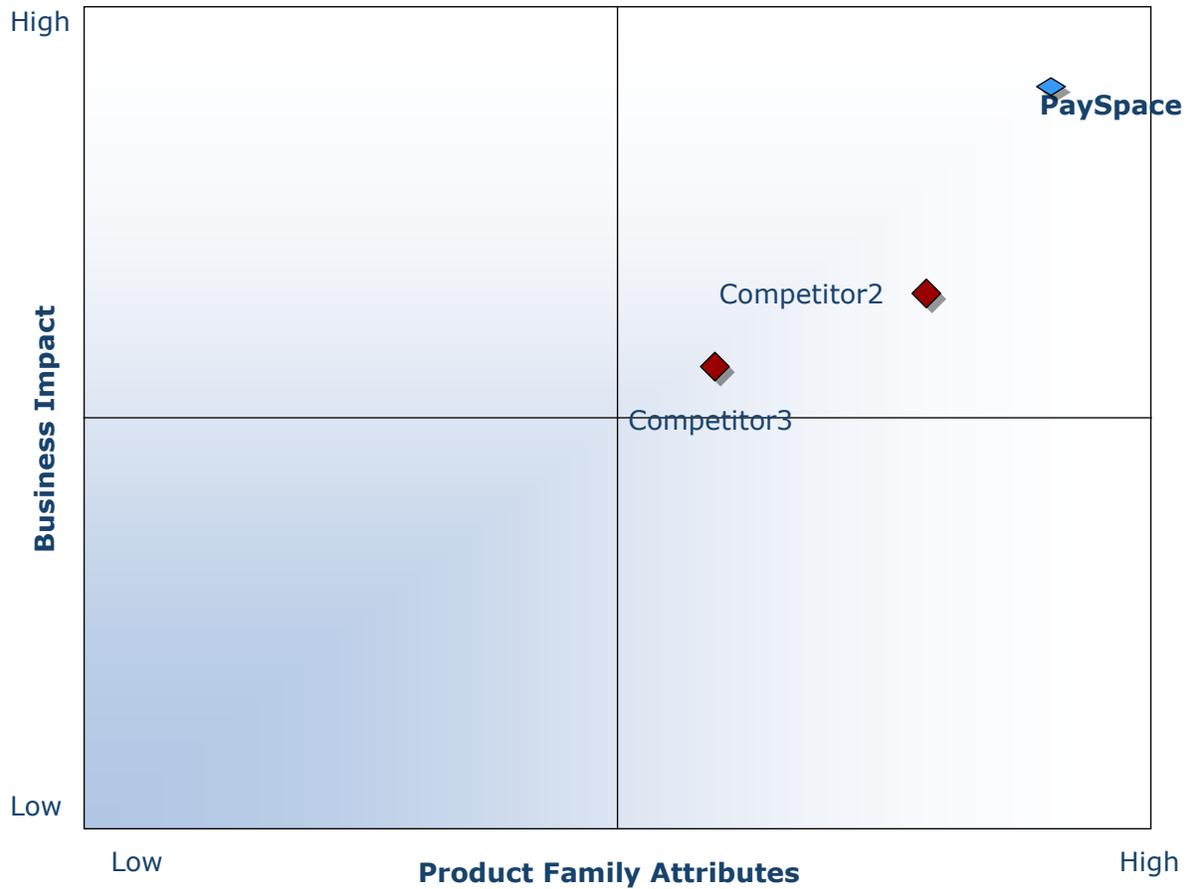
Criterion 5: Human Capital

Requirement: Company culture is characterized by a strong commitment to product quality and client impact, which in turn enhances employee morale and retention

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts can then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.

DECISION SUPPORTMATRIX: PRODUCT LEADERSHIP AWARD



The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, client, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages over 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.